

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WISCONSIN

UNITED STATES OF AMERICA
and the STATE OF WISCONSIN

Plaintiffs,

v.

P. H. GLATFELTER COMPANY
and
WTM I COMPANY
(f/k/a Wisconsin Tissue Mills Inc.),

Defendants.

CIVIL ACTION NO. 03-C-0949

The Honorable Lynn Adelman

AGREED SUPPLEMENT TO CONSENT DECREE

The Plaintiffs and Defendants in this action have entered into this Agreed Supplement to Consent Decree (the “Agreed Supplement”) in order to memorialize an agreement reached in accordance with Subparagraph 98.d of the existing Consent Decree. As explained below, this Agreed Supplement sets forth the Defendants’ agreement to commit additional funds for performance of their obligations under the Consent Decree, as envisioned by Decree Subparagraph 98.d. A prior version of this Agreed Supplement was filed with the Court on March 28, 2007. This revised version supersedes that prior version, and it incorporates minor changes to ensure consistency between this document and the letter of credit issued pursuant to Subparagraph 5.b, below. The United States is filing this Agreed Supplement with the Court to make it part of the public record concerning the Consent Decree, but the Court need not take any action on this filing.

1. The Plaintiffs filed this action on October 1, 2003, alleging that the Defendants are among the parties liable for environmental contamination at the Lower Fox River and Green Bay Site (the “Site”) pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§ 9601-9675. At the same time, the United States lodged with the Court a proposed Consent Decree between the Plaintiffs and Defendants. After a public comment period, the Court approved and entered the Consent Decree in a Decision and Order dated April 12, 2004.

2. The Consent Decree requires the Defendants to perform sediment remediation work at the portion of the Site that has been designated as Operable Unit 1 (“OU1”). The Defendants began removing contaminated sediment from OU 1 in 2004, and the active remediation phase of that response work will continue for several more years. The work is being overseen by the U.S. Environmental Protection Agency (“EPA”) and the Wisconsin Department of Natural Resources (“WDNR”).

3. The Defendants are paying for the response work that they are performing in OU1 using funds deposited in a dedicated escrow account established under the Consent Decree (the “Escrow Account”). If EPA, in consultation with WDNR, determines at any time that the funds remaining in that Escrow Account are not sufficient to finance the completion of the response work, EPA has the right to terminate the Consent Decree, with the Plaintiffs reserving the right to take other steps to require the Defendants to perform or pay for the continuation and completion of the work. As an alternative to that course of action, Consent Decree Subparagraph 98.d affords the Defendants an opportunity to “deposit additional funds in the Escrow Account, in order to avoid an Insufficiency Determination.”

4. The Plaintiffs recently notified the Defendants that EPA was considering making a formal finding that the fund balance remaining in Escrow Account was likely to be insufficient to fund the completion of the response work. The parties have agreed to address that potential shortfall in the Escrow Account as set forth in the following Paragraph.

5. In accordance with Consent Decree Subparagraph 98.d, the parties hereby agree that the Defendants shall deposit additional funds in the Escrow Account established under the Consent Decree, as follows:

a. Defendant WTM I Company (“WTM I”) shall deposit an additional \$6 million in the Escrow Account. That total amount shall be paid in three equal installments: (i) \$2 million shall be payable on or before April 10, 2007; (ii) an additional \$2 million shall be payable on or before July 10, 2007; and (iii) the final \$2 million shall be payable on or before October 10, 2007. All three payments shall be deposited in a separate sub-account within the Escrow Account, so that those funds can be distinguished from the other funds in the Escrow Account (the “Existing Funds”).

b. By no later than April 10, 2007, Defendant P.H. Glatfelter Company (“Glatfelter”) shall obtain a \$6 million irrevocable letter of credit payable to the Escrow Account. The irrevocable letter of credit shall be issued by a financial institution that has the authority to issue letters of credit and whose letter of credit operations are regulated and examined by an agency of the United States Government. The financial institution shall have surplus and reserves in excess of \$500 million. The irrevocable letter of credit shall identify EPA as the beneficiary and the full \$6 million shall immediately be payable to the Escrow Account: (i) at any time before March 10, 2008, upon EPA’s written certification that the Existing Funds balance in the Escrow Account is below \$2 million

(by a letter in the form attached hereto as Exhibit A); or (ii) on April 10, 2008, upon EPA's written certification (to be dated no earlier than March 10, 2008) that the full amount of the letter of credit was not paid before March 10, 2008 (by a letter in the form attached hereto as Exhibit B), if payment has not already been made by that date. The payment under the irrevocable letter of credit shall be deposited in a separate sub-account within the Escrow Account, so that those funds can be distinguished from the Existing Funds. At least five business days before finalizing the letter of credit, Glatfelter shall afford the Plaintiffs and WTM I an opportunity to review the proposed letter of credit to assess whether it conforms to the requirements of this Subparagraph.

c. The Defendants shall direct the Escrow Account manager to exhaust all Existing Funds before disbursing any amounts from the separate sub-account established and funded under the preceding Subparagraphs of this Agreed Supplement.

d. The parties hereby agree that the additional funds to be paid into the Escrow Account under the preceding Subparagraphs of this Agreed Supplement fall within the definition of the "OU1 Response Activities and Costs" specified by Consent Decree Subparagraph 83.b.

6. Pursuant to Consent Decree Section XXX (Retention of Jurisdiction), the Court has jurisdiction to enforce compliance with the terms of this Agreed Supplement because the Court retained jurisdiction over both the subject matter of the Consent Decree and the Settling Defendants for the duration of the performance of the terms and provisions of the Consent Decree for the purpose of enabling any of the parties to apply to the Court at any time for such further order, direction, and relief as may be necessary or appropriate for the construction or

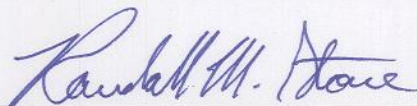
modification of the Consent Decree, or to effectuate or enforce compliance with its terms, or to resolve disputes in accordance with Consent Decree Section XX (Dispute Resolution).

IT IS SO STIPULATED AND AGREED.

FOR THE UNITED STATES OF AMERICA

MATTHEW J. McKEOWN
Acting Assistant Attorney General
Environment and Natural Resources Division

5/4/2007
Date



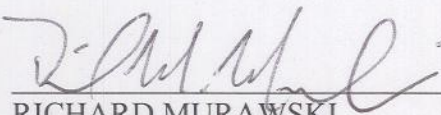
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Eastern District of Wisconsin
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Milwaukee, WI 53202

4-30-07
Date



RICHARD MURAWSKI
Associate Regional Counsel
U.S. Environmental Protection Agency
Region 5
77 West Jackson Boulevard
Chicago, IL 60604

Signature Page for Agreed Supplement to Consent Decree in United States and the State of Wisconsin v. P.H. Glatfelter Company and WTM I Company, Case No. 03-C-0949 (E.D. Wis.)

FOR THE STATE OF WISCONSIN

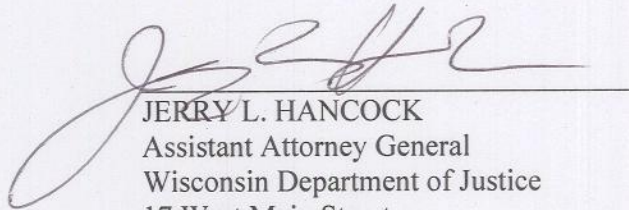
4/27/07
Date



BRUCE BAKER

Deputy Administrator, Division of Water
Wisconsin Department of Natural Resources
101 South Webster Street
Madison, WI 53703

4/27/07
Date



JERRY L. HANCOCK
Assistant Attorney General
Wisconsin Department of Justice
17 West Main Street
Madison, WI 53702

FOR P. H. GLATFELTER COMPANY


Date

Signature:

Name (print):

Title:

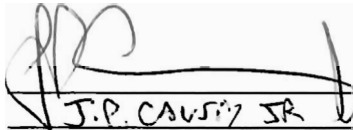
Address:


Jeffrey J. Norton
Vice President, General Counsel & Secretary

FOR WTM I COMPANY

April 23, 2007
Date

Signature:
Name (print):
Title:
Address:


J.P. CAULEY JR.
VICE PRESIDENT
1021 EAST CARY ST.
RICHMOND VA 23218

**Exhibit A to Agreed Supplement to Consent Decree
(Prescribed Form of Letter Directing Payment Under Letter of Credit
Before March 10, 2008)**

3rd Floor
500 First Avenue
Pittsburgh, PA 15219
Mail Stop: P7-PFSC-03-T



EXHIBIT A

IRREVOCABLE LETTER OF CREDIT NO. 18104480-00-000

(DATE)

PNC BANK, NATIONAL ASSOCIATION
500 FIRST AVENUE 3RD FLOOR
PITTSBURGH PA 15219

PAYMENT DIRECTIVE UNDER LETTER OF CREDIT NO. 18104480-00-000

SIR OR MADAM:

I (STATE NAME AND TITLE) AM WRITING IN MY CAPACITY AS THE AUTHORIZED REPRESENTATIVE OF THE U.S. ENVIRONMENTAL PROTECTION AGENCY ("EPA"), THE DESIGNATED BENEFICIARY UNDER THE ABOVE-REFERENCED LETTER OF CREDIT. THE LETTER OF CREDIT WAS ESTABLISHED PURSUANT TO AN "AGREED SUPPLEMENT TO CONSENT DECREE" IN THE CASE CAPTIONED UNITED STATES AND THE STATE OF WISCONSIN V. P.H. GLATFELTER COMPANY AND WTM, I CO., CASE NO. 03-C-949 (E.D. WIS.), AND SUBPARAGRAPH 5.b.(i) OF THAT AGREED SUPPLEMENT TO CONSENT DECREE SPECIFIED CERTAIN CONDITIONS FOR REQUESTING PAYMENT UNDER THE LETTER OF CREDIT BEFORE MARCH 10, 2008.

EPA HEREBY CERTIFIES THAT THE CONDITIONS FOR PAYMENT UNDER SUBPARAGRAPH 5.b.(i) OF THE AGREED SUPPLEMENT TO CONSENT DECREE HAVE BEEN SATISFIED, AND EPA THEREFORE DIRECTS YOUR INSTITUTION TO PAY THE FULL AMOUNT DUE UNDER THE LETTER OF CREDIT (USD 6,000,000.00), AS SPECIFIED HEREIN. PAYMENT SHOULD BE MADE BY WIRE TRANSFER IN ACCORDANCE WITH THE FOLLOWING INSTRUCTIONS:



PAYMENT AMOUNT: \$6,000,000.00

PAYEE: FOX RIVER OUI ESCROW ACCOUNT

C/O DEUTSCHE BANK TRUST COMPANY AMERICAS

SUPERFUND DIVISION DIRECTOR
U.S. ENVIRONMENTAL PROTECTION
AGENCY, REGION 5

WIRE TRANSFER INSTRUCTIONS:

DEUTSCHE BANK TRUST COMPANY AMERICAS

ABA 021001033

ACCOUNT NAME: TRUST AND SECURITIES SERVICES

ACCOUNT NUMBER: 01419647 FCT

PAYMENT DETAILS: GLATFELTER SUB-ACCOUNT

NO. 58528 REF: FOX RIVER OUI ESCROW ACCOUNT

**Exhibit B to Agreed Supplement to Consent Decree
(Prescribed Form of Letter Directing Payment Under Letter of Credit Between March 10, 2008 and
April 10, 2008)**



EXHIBIT B

IRREVOCABLE LETTER OF CREDIT NO. 18104480-00-000

(DATE)

PNC BANK, NATIONAL ASSOCIATION
500 FIRST AVENUE 3RD FLOOR
PITTSBURGH PA 15219

PAYMENT DIRECTIVE UNDER LETTER OF CREDIT NO. 18104480-00-000

SIR OR MADAM:

I (STATE NAME AND TITLE), AM WRITING IN MY CAPACITY AS THE AUTHORIZED REPRESENTATIVE OF THE U.S. ENVIRONMENTAL PROTECTION AGENCY ("EPA"), THE DESIGNATED BENEFICIARY UNDER PNC BANK, NATIONAL ASSOCIATION LETTER OF CREDIT NO. 18104480-00-000 ("LOC"). THE LOC WAS ESTABLISHED PURSUANT TO AN "AGREED SUPPLEMENT TO CONSENT DECREE" IN THE CASE CAPTIONED UNITED STATES AND THE STATE OF WISCONSIN v. P.H. GLATFELTER CO. AND WTM I CO., CASE NO. 03-C-949 (E.D. WIS.), AND SUBPARAGRAPH 5.b.(ii) OF THAT AGREED SUPPLEMENT TO CONSENT DECREE SPECIFIED THAT THE FULL AMOUNT OF THE LOC WOULD BE PAYABLE TO A DESIGNATED ESCROW ACCOUNT ON APRIL 10, 2008, IF THE FULL AMOUNT OF THE LOC WAS NOT PAID BEFORE MARCH 10, 2008.

EPA HEREBY CERTIFIES THAT THE FULL AMOUNT OF THE LOC WAS NOT PAID BEFORE MARCH 10, 2008 AS PROVIDED UNDER SUBPARAGRAPH 5.b.(ii) OF THE AGREED SUPPLEMENT TO CONSENT DECREE AND EPA, THEREFORE, DIRECTS YOUR INSTITUTION TO PAY THE FULL AMOUNT DUE UNDER THE LETTER OF CREDIT (\$6,000,000.00), ON APRIL 10, 2008, BY WIRE TRANSFER, IN ACCORDANCE WITH THE FOLLOWING PAYMENT INSTRUCTIONS:



PAYMENT AMOUNT \$6,000,000.00

PAYEE: FOX RIVER OUI ESCROW ACCOUNT

C/O DEUTSCHE BANK TRUST COMPANY AMERICAS

SUPERFUND DIVISION DIRECTOR
U.S. ENVIRONMENTAL PROTECTION
AGENCY, REGION 5

WIRE TRANSFER INSTRUCTIONS:

DEUTSCHE BANK TRUST COMPANY AMERICAS
ABA 021001033
ACCOUNT NAME: TRUST AND SECURITIES SERVICES
ACCOUNT NUMBER: 01419647 FCT
PAYMENT DETAILS: GLATFELTER SUB-ACCOUNT
NO. 58528 REF: FOX RIVER OUI ESCROW ACCOUNT

CERTIFICATE OF SERVICE

Pursuant to Paragraph 124 of the Consent Decree in this action, I hereby certify that copies of the foregoing Agreed Supplement to Consent Decree were served on this date by first-class mail, postage prepaid, upon the following individuals:

Nancy K. Peterson
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Milwaukee, WI 53202-4497

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Chicago, IL 60604

Douglas P. Dixon and Joshua Epstein
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Ariel Rios Building - Mail Code 2272A
1200 Pennsylvania Avenue, N. W.
Washington, DC 20460

Dated: May 7, 2007

s/ *Randall M. Stone*